



THE DEPUTY SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301-1000

23 JUL 1995



MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
DIRECTOR OF DEFENSE RESEARCH AND ENGINEERING  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE  
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE  
DIRECTOR OF OPERATIONAL TEST AND EVALUATION  
ASSISTANTS TO THE SECRETARY OF DEFENSE  
DIRECTOR OF ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES

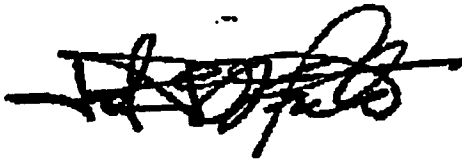
SUBJECT: Compensated Participation in the Management of Non-Federal Entities by Officers in Grades O-7 through O-10

A recent survey by the DoD General Counsel revealed that flag and general officers on active duty participate in their personal capacities in the management of non-Federal entities, including businesses, trusts, professional associations, and civic groups. Such activities are generally permitted by ethics laws and regulations to the extent they do not create an actual or apparent conflict of interest or involve an actual or apparent use of public office for private gain. However, ethics laws, regulations and standards of conduct establish only the minimum expectations applicable to all Executive Branch personnel.

The ethics regulations do not fully address the unique personal requirements placed on officers in grades O-7 through O-10 by the President, Congress, the senior leadership of this Department, and the American public. General and flag officers are highly visible and entrusted with great responsibilities by the American public. These senior leaders must also command the trust and respect of subordinates whom they may lead in combat. Accordingly, officers in these grades must meet, as a matter of policy, the highest standards in the conduct of their personal affairs.

The selection of high ranking officers to receive substantial compensation for their participation in the management of non-Federal entities understandably can cause the public and military subordinates to question the dedication and focus of our senior leadership, as well as the basis for such selections. These questions erode public confidence and can undermine the effectiveness of our senior officers. Consequently, I direct, as a matter of policy, that officers in the grades O-7 through O-10 shall not receive compensation for serving as an officer or member of the board of any non-Federal entity other than, on an exception basis, professional associations and closely-held family entities. General and flag officers wishing to serve on a compensated basis in the management of family entities or professional associations must first seek approval from the applicable Service Secretary, who may approve such service only where it is consistent with the principles I have stated here as well as the applicable standards of conduct. This approval authority may not be redelegated, and must be exercised either by the Service Secretary or an official serving as the Acting Secretary.

This policy is effective immediately and will be incorporated in pertinent DoD and military department guidance.

A handwritten signature in black ink, appearing to be "J. Edgar Hoover", is written over a horizontal line.